



Briefing note

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Purpose of the Paper:

Information	√
Consultation	
Decision	

Title of Briefing: Final Outturn of School Balances for 2017/18 and Updates on deficit approvals in 2018/18 and the 2019/20 National Funding Formula

Purpose of Paper

- 1.1.1 This paper outlines the final position in relation to school balances by phase and between committed and uncommitted balances as outlined in the Forward Plan. This follows external audit and finalisation of the Authority's accounts and the completion of Consistent Financial Reporting (CFR) submissions.
- 1.1.2 An update is also provided on deficit approvals for 2018/19 and on information relating to the 2019/20 National Funding Formula recently published by the DfE.

Analysis of Schools Balances in North Tyneside in 2017/18

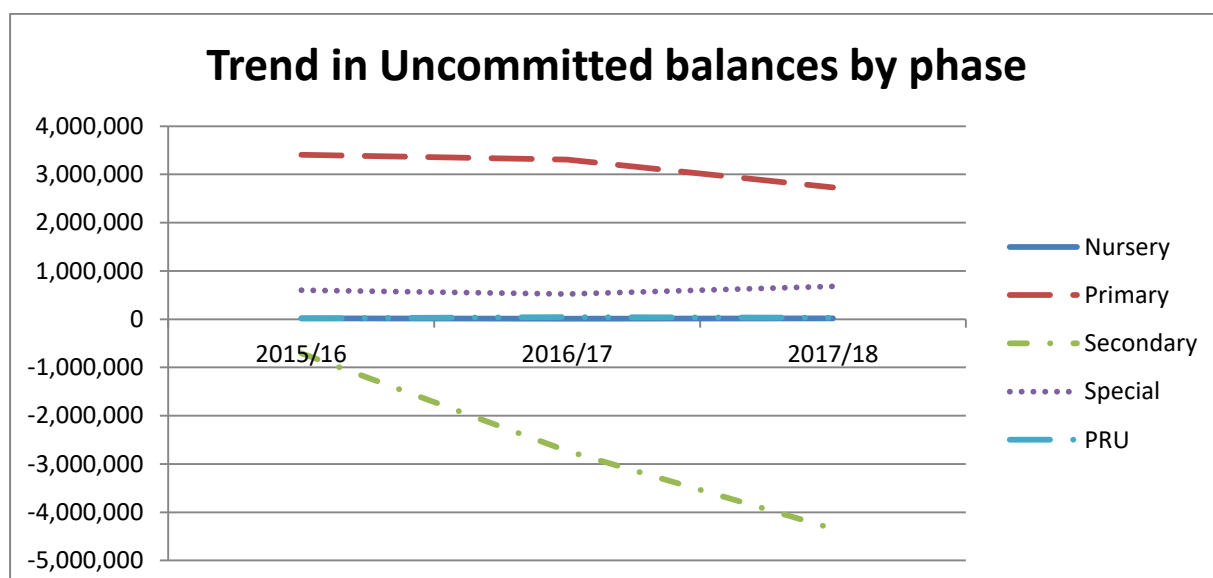
- 2.1 Forum will recall, as reported in July 2018, that the overall level of school balances at the end of March 2018 was £3.356m compared to £5.470m as at March 2017. This represents a reduction of £2.114m (these figures exclude Seaton Burn College which converted to an academy in January 2018). The value of £3.356m includes capital balances of £67,035 leaving a revenue balance of £3.289m.
- 2.2 As expected, the end of 2017/18 saw the third year of balances decreasing following a long term trend of rising balances in North Tyneside. The result of the Consistent Financial Reporting (CFR) national data collection exercise will be published in the

autumn but is not yet available to allow us to compare North Tyneside with an updated national picture. The latest available information from 2016/17 shows that the national level of total revenue balances held by schools continued to decrease in cash terms from £2.09bn to £1.70bn by the end of March 2017 indicating that North Tyneside is in line with national trends.

- 2.3 Completion of the CFR exercise has indicated that uncommitted balances have continued to fall as shown with a further decrease from £1.158m at March 2017 to (£0.880m) at March 2018. The trend over three years is outlined in the table below. Committed items may include any unspent grants that the school hold and which the school may carry forward into the next accounting year, capital balances, balances relating to extended school activities or funds any school may hold on behalf of a consortium of schools. Only Local Authority maintained school data is shown in the data below with academy schools excluded. The data shows revenue balances only.

Phase	Total 2015/16 £m	Uncommitted 2015/16 £m	Total 2016/17 £m	Uncommitted 2016/17 £m	Total 2017/18 £m	Uncommitted 2017/18 £m
Nursery	0.170	0.020	0.075	0.014	0.018	0.018
Primary	4.871	3.404	4.863	3.307	4.267	2.733
Secondary	1.801	(0.704)	(0.832)	(2.729)	(2.084)	(4.343)
Special	0.768	0.602	0.785	0.522	1.058	0.684
PRU	0.018	0.017	0.044	0.044	0.030	0.028
Total	7.628	3.339	4.935	1.158	3.289	(0.880)

- 2.4 The trend in uncommitted balances is shown in the graph below



- 2.4 The overall uncommitted balance is negative as at 31 March 2018 with the secondary phase having a large negative uncommitted balance. As reported to the Local Authority Cabinet in July, this position is due to two important issues. The pressure in some parts of the secondary school system is due to current surplus capacity. While this has dropped from its peak of 20% to 15.3%, it is estimated that it will take another four years for the numbers to return and start to expand. It is also the case, that due to parent choice, settlement patterns and individual school choices, that surplus is concentrated in three secondary schools and specifically causes the challenges at Norham High School and Monkseaton High School.
- 2.5 Average total school revenue balances by phase of school are shown in the table below. This is calculated by using the total cumulative balance by phase and dividing this by the number of schools in each phase. All phases other than special schools are showing a worsening in balances over the period.

	Average total revenue balance (£ per school)				
Year	All schools	Maintained Nurseries	Maintained Primaries	Maintained Secondaries	Maintained Specials
North Tyneside 2017/18	£44,443	£18,315	£79,014	(£160,282)	£211,515
North Tyneside 2016/17	£65,806	£75,474	£90,060	(£59,444)	£157,003
North Tyneside 2015/16	£92,792	£126,140	£95,180	£64,012	£156,064

- 2.6 The table below shows total balances and committed balances by phase as a percentage of total funding for 2016/17 and 2017/18.

	Total balance Percentage 2016/17	Committed balance Percentage 2016/17	Total balance Percentage 2017/18	Committed balance Percentage 2017/18
Nursery	17.5%	3.3%	4.5%	4.5%
Primary	6.7%	4.5%	5.7%	3.7%
Secondary	-1.4%	-4.5%	-3.6%	-7.6%
Special	6.0%	4.0%	7.8%	5%
PRU	2.4%	2.4%	1.6%	1.6%
TOTAL	3.3%	0.8%	2.2%	-0.6%

- 2.5 Uncommitted balance levels for each school have been reviewed against the Policy on Surplus Balances. Excess school balances are those uncommitted balances over 5% for middle & secondary schools and over 8% for first, primary and special schools. Appendix A outlines North Tyneside's policy on Surplus balances.

No school had a surplus balance in excess of 5% for middle & secondary schools and over 8% for first, primary and special schools at March 2018.

- 2.8 An analysis of balances of deficit schools is shown below. As at 31 March 2018 there were 9 schools with an overall deficit (excluding Seaton Burn which converted to an academy on 1 January 2018);

School Name	School Balance March 2017	School Balance March 2018	Uncommitted Balance March 2018	Balance March 18 as a % of 2017/18 Income/Funding	Uncommitted Balance March 18 as a % of 2017/18 Income/Funding
Fordley Community Primary School	(71,489)	(79,925)	(79,925)	-5.2%	-5.2%
Ivy Road Primary School	(27,839)	(122,649)	(131,794)	-15.4%	-16.5%
King Edward Primary School	(2,499)	(20,425)	(25,242)	-1.0%	-1.2%
Longbenton High School	(514,130)	(915,872)	(944,135)	-19.2%	-19.8%
Marden Bridge Middle School *	69,447	(8,310)	(29,031)	-0.4%	-1.3%
Marden High School	(359,767)	(428,811)	(431,311)	-11.0%	-11.0%
Monkseaton High School	(1,309,370)	(2,464,032)	(2,471,193)	-89.8%	-90.0%
Norham High School	(827,689)	(1,168,199)	(1,177,053)	-42.5%	-42.8%
Whitley Bay High School	(347,294)	(515,594)	(547,215)	-6.3%	-6.6%
Total	(3,390,632)	(5,723,816)	(5,836,898)		

*Excludes capital balance

Schools Requesting Deficit Approval Update

- 3.1 As reported previously, there were ten schools projecting a deficit for 2018/19. There has been a small change to the requested deficit approvals since the last report. In addition, Officers are continuing to work with Beacon Hill to establish an appropriate approval value.
- 3.2 The table below shows the schools and the current revised level of their requested deficit approval. The deficit approvals for the seven remaining schools which were in deficit in 2017/18 have been agreed and deficit letters have been issued. It is anticipated that approval letters for the remaining three schools will be finalised in the autumn term.

Table : Schools requesting deficit approval in 2018/19:-

School	Deficit Approval 2017/18 £m	Outturn Balance 2017/18 £m	Deficit Approval Sought 2018/19 £m	Status
Fordley Primary	(0.081)	(0.080)	0	Approved
Backworth Park Primary	0	0	(0.091)	Pending
Ivy Road Primary	(0.137)	(0.123)	(0.278)	Approved
Percy Main Primary	0	0.001	(0.086)	Pending
Monkseaton Middle	(0.034)	0.034	(0.088)	Approved
Marden Bridge Middle	(0.027)	0.013	0	Approved
Marden High	(0.478)	(0.429)	(0.646)	Approved
Norham High	(1.224)	(1.168)	(1.549)	Approved
Longbenton High	(1.026)	(0.916)	(1.702)	Approved
Monkseaton High	(2.587)	(2.464)	(3.652)	Approved
Whitley Bay High	(0.618)	(0.516)	(0.393)	Approved
Beacon Hill	0	0.315	(0.204)	Pending
Total	(6.212)	(5.333)	(8.689)	

- 3.4 Officers will continue to work with schools in deficit to provide appropriate support and challenge and to develop long term sustainable solutions.

Update on the National Funding Formula for 2019/20

- 4.1 In July 2018, the DfE confirmed that the 'hard' implementation of the National Funding Formula would be delayed until 2021/22 and in 2020/21 Local Authorities would continue to allocate funding to schools on the basis of a local formula.
- 4.2 In August 2018, the DfE published its update on the National Funding Formula for 2019/20 along with the technical guidance documents and spreadsheets outlining the impact of the National Funding Formula at a school level. This information can be found in the gov.uk website as follows;

<https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2019-to-2020>

- 4.3 The changes outlined in the National Funding Formula (NFF) for 2019/20 are minor as follows;
- As set out in 2018/19, the 2019/20 the NFF will include full values for:
 - i. The floor, calculated at 1% above baseline of 2017/18, rather than 0.5% as in 2018/19.
 - ii. The minimum per pupil funding levels, calculated at the full rates as appropriate to phase, rather than the interim rates used in the 2018/19 NFF.
 - Other unit values are unchanged with the exception of the primary low prior attainment unit value which has been adjusted to reflect the changes in the population.

- The formula allocation will be made based on school and pupil characteristics data from the 2018/19 authority proforma tool (APT) data. Baselines for floor funding and transitional funding are still the 2017/18 baselines used in the 2018/19 NFF.
- Growth funding has been formularised at LA level.
- The way the minimum per pupil amounts are calculated for KS3 and KS4 only schools has been modified.

Recommendations

5.1 Schools Forum is asked to note the following:

- Details of the total and uncommitted balances for schools by phase
- The worsening position of balances in general and in the secondary phase in particular
- The results of the review of school balances against the Surplus Balances Policy
- The revised requested deficit balances for 2018/19
- The minor changes to the National Funding Formula for 2019/20 and the publication of guidance by the DfE

Appendix A: The Balance Control mechanism

The regulations define the surplus balance as;

A

The balance, if any, held by each school as at the 31 March.(the balance is the recurrent balance as defined in the Consistent Financial Reporting Framework)

Minus

B

Any amounts for which the school has a prior year commitment to pay from the surplus balance

Minus

C

Any amounts which the governing body of the school have declared to be assigned for specific purposes permitted by the authority, and which the authority is satisfied are properly assigned.

= School Balance

If the result of steps A, B and C is a sum greater than 5% of the schools budget share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the authority shall deduct from the current year's budget share an amount equal to the excess.